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Canada War-time Information Board
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CANADA AT WAR



Pay-as-you-owe Plan 3
*Canada to Collect Income Taxes
as They Become Due*

Aid To The United Nations 6
*\$1,000,000,000 is Being Set Aside to Give
the Allies Canadian War Supplies*

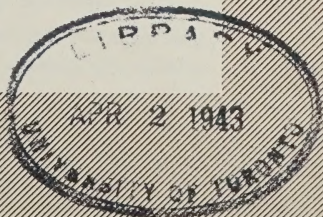
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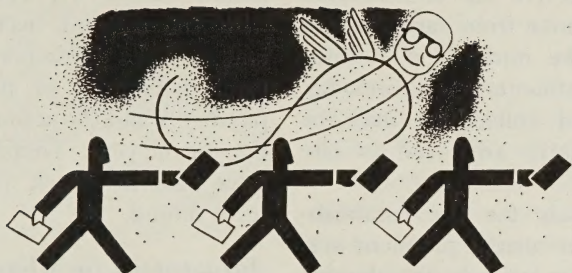
1943



"Financial measures are one of the means through which each person has his share in this war. Taxes and loans are not exactions from the people by a government. They are weapons which the people through their elected representatives and the free methods of democracy have fashioned for their own use and their common purpose. We cannot all man guns and planes and ships; we cannot all build guns and planes and ships, but the Canadian people have shown by the reception which has been given to each succeeding wartime budget that they are ready to wield these weapons, each according to his strength and all against the people's enemies. They are ready to accept their share in each increase in the effective organization for war of which the budget is but the financial counterpart."

THE HON. J. L. ILSLEY, *Minister of Finance*, in the fifth wartime budget, in the House of Commons on March 2, 1943.

C A N A D A A T W A R



PAY - AS - YOU - OWE PLAN

STARTING with the first payroll in April this year Canadians will pay the Dominion government income taxes on a "pay-as-you-owe" basis. While income taxes have been deducted at the source or paid in instalments since September, 1942, this will be the first time that taxes have been deducted to cover the same period in which the liability was created.

This innovation in fiscal policy will be placed in effect to offset the difficulties in the traditional system of paying income tax for income earned in a previous period.

Finance Minister Ilsley in his budget address of March 2, referring to the proposed pay-as-you-owe plan, stated:

"The advantages of a system of current payment of tax such as I propose are now well known, so I need only remind the House of them. Under this plan, when a man's income falls off, his tax falls off with it; when his income rises, his taxes with it. It enables us to avoid the lag in the payment of tax under our present system—a lag which now amounts to about eight months, substantially less than it was several years ago, but still a problem to those suffering or expecting to suffer a reduction in income. The difficulties in the present system are most serious in the case of those whose incomes cease or decline because they enter the armed forces, lose their jobs, retire or die. Advocates of such a plan have made most people very much aware of the personal problems created in such situations by income tax debt. With taxes at present levels, such problems are now very difficult ones for any who have not made provision in advance for their taxes."

Advantages of System

Certain other advantages are inherent in the system of collect-

ing income taxes as they fall due: the government is able to make more effective use of collection at the source from earnings and reduce the number of refunds and adjustments; and income tax rates and collections may be more easily adjusted in the future.

Proposals for the establishment of a current payment system have gained considerable support in the warring nations. In the United States, the Ruml Plan, named after its author, is being hotly debated. But it remained for Canada to adopt a pay-as-you-owe scheme.

Under the Canadian method, all income tax deductions will be made at the source on salaries or wages at each pay date in respect of 1943 income. Instalment collections will be made in March, June, September and December on other incomes from which deductions are not made at the source. Instalment payments will be based upon estimated income for the year or actual income in the previous year, and deductions from pay cheques or envelopes will be made at 95% of the liability at the current annual rate of earnings.

The exact amount of income will be determined at the end

of 1943 and a return made to the Income Tax Department on or before March 31, 1944, along with the amount necessary to make up the difference between total deductions or instalment payments and the actual amount due for the year. Taxpayers who have paid too much may apply for a refund.

Adjustment for Change

But placing tax payments for 1943 on a current basis will require some adjustments, particularly as to what disposition is to be made of the amount due for the 1942 tax.

To make the adjustment on the 1942 tax it is proposed to wipe out 50% of the tax liability for 1942 in the case of earned incomes, and on \$3,000 of investment income. For investment income in excess of \$3,000 the unpaid half will be deferred until the death of the taxpayer.

In bringing the new collection system into operation Canada is more advantageously placed than other countries which generally would have to forego 100% of taxes due for the previous year if an overlapping of payment were to be avoided. Canada is already operating on a partially current basis. It will

be necessary to pick up a lag of only eight months. During 1942 a national defence tax was collected at the source. The fourth budget of the war, brought down on June 23, 1942, provided for steep increases in income tax rates and commenced collection on the 1942 liability in September, 1942, at 90% of the estimated liability for the year, less the payment already made by eight months of national defence tax.

Defence Tax Credit

Deductions made from September to December 31, 1942, and the amount paid in national defence tax in the eight months prior to September on the average represent 50% of the total income tax due for 1942.

The proportion collected varies according to the circumstances of the taxpayer, but in no case does it constitute an overlapping with the 1943 tax liability that would make the conversion to a current basis an undue burden.

The average 50% already deducted leaves an unpaid liability, which will be eliminated by provisions of the proposal. Any payments required to bring collections up to 50% of the total

liability for the year will therefore be relatively small.

For example, a married man with two children, earning an annual salary of \$5,000, who applied savings commitments against the refundable portion of the tax to the full amount allowable, had a total liability of \$1,062 for 1942 income tax, of which \$412 was deducted at the source. When the liability is cut in half it would leave \$119 to pay on the 1942 liability.

Provisions for Farmers

The amount left to pay is scaled upward as the income increases and downward as the income decreases.

The balance due on 1942 incomes will be paid during 1943. It will be required to pay one-third of the remaining outstanding amount when the return is filed, which will be June 30, 1943, and the balance may be paid any time during the remaining six months of the year.

Tax collections made during January, February and March this year will apply to 1943 instead of to the 1942 liability as was originally intended. Deductions during these months were made at the rate of 90% of the

liability, but in April will be boosted to 95%.

Farmers will be required to pay two-thirds of their tax by

December 31 on a rough estimate of their income for the year and the balance will have to be paid by March of the following year.

For further discussion of budget see "Finance", page 33.



AID TO THE UNITED NATIONS



CANADA'S proposed billion-dollar United Nations Mutual Aid Bill is intended to make possible the continued and increased flow of Canadian munitions, foodstuffs and other war materials to the various theatres of war. The bill will set up a Canadian War Supplies Allocation Board and provide it with authority and funds to procure war supplies to be transferred to other United Nations.

On February 8 Minister of Finance Ilesley explained to the House of Commons that Canada has been able to provide a huge volume of war supplies over and above the requirements of its own forces. It had increased greatly the production of raw materials and foods to meet war

requirements of Britain, the United States, Russia and others of the United Nations, and from its new and expanded war factories had come a flood of munitions and specialized war equipment. A large part of these has gone to Britain and to British forces abroad; much has gone to other nations of the Commonwealth, and a substantial volume has been sent to Russia and China.

Succeeds \$1,000,000,000 Gift

Mr. Ilesley continued:

"The main way in which we have assured this flow of war supplies to our allies heretofore has been to provide Britain with the Canadian dollars necessary to pay for what the sterling area obtained from Canada in excess

of what it sold to Canada. This served to make Canadian dollars available not only to Britain but also to Australia, New Zealand and other British Empire countries which purchased their foreign exchange from Britain.

"The first means by which we provided dollars to Britain was that of paying our debts before they were due. The next was merely to allow pounds sterling to accumulate to our credit. Later these sterling balances not used in payment of debts were converted into a loan to Britain, interest free for the duration of the war.

"Finally we provided a free gift of a billion dollars, assuming this as part of our share of the cost of the war. This billion dollars has now been exhausted. Other means must be found to continue providing Britain with the large volume of essential war supplies she requires from Canada."

Transfers to be Direct

Mr. Ilsley pointed out that Canada desires to continue sending supplies to Russia, China, Australia, New Zealand and other parts of the Commonwealth as well. He explained:

"Heretofore Australia and New Zealand have purchased from Britain the Canadian dollars they required, but we think it would be more satisfactory from the point of view of all concerned if they were able to make more direct arrangements with us."

The proposal is that Canada share its production of essential war supplies with the other United Nations on the basis of strategic needs. Provision will be made so that in certain cases Canada may receive the benefit of such reciprocal arrangements as may be practicable. However, an essential feature of the whole proposal is that it will be good and sufficient consideration for transferring war supplies to other United Nations that such supplies are to be used in the joint and effective prosecution of the war.

Tied to U.S. Program

The War Supplies Allocation Board will consist of five ministers who will act as a committee of the Cabinet. The Board will purchase or procure war supplies in Canada and then allocate and transfer such supplies to those of the United Nations which re-

quire them, in accordance with strategic needs.

All Canada's exports of war supplies will not need to be transferred under the proposed arrangement, however, because Britain and others of the United Nations have current receipts of Canadian dollars which enable them to pay for substantial quantities of what they obtain from Canada. It is only the excess which they cannot pay for that will be dealt with under the new measure.

Mr. Ilsley commented:

"It is hoped that, as a part of the program of co-ordinated war production in the United States and Canada and the mutual co-operation which has existed between the two countries, it will be possible for us to transfer some war supplies to the United States under the new Mutual Aid Bill instead of being forced to rely on sales of all war supplies to the United States in order to meet our minimum United States dollar requirements."

Avoid Huge War Debts

The Minister reiterated that the vital flow of arms to the fighting fronts must not be diverted or obstructed by financial considerations; nor should it "give

rise to huge war debts between nations, debts which cannot be liquidated without destroying trade, debts whose very existence will undermine international understanding and good will."

In certain cases it may be practicable to obtain reciprocal benefits to Canada in the form of goods or services from other countries in return for what is transferred to them under the plan. In some cases it may be possible to arrange for the return after the war of the equipment or vehicles Canada provides. In still other cases the nation receiving the war supplies may be able to provide Canada with some other form of post-war benefit.

Buy British Interests

A subsidiary proposal is to take over the ownership of all the interests of the United Kingdom in war plants in Canada. The British government has provided more than \$200,000,000 of capital for the construction and equipment of factories in Canada to produce munitions for the British forces, and it owns the whole or a share of many such munitions factories or spec-

ialized equipment in privately-owned factories.

The \$200,000,000 transaction, by which that ownership will be taken over, already is provided for in a supplementary war appropriation bill. It will give the British government cash to meet the deficit of Canadian dollars during the remainder of the fiscal year ending March 31 before the Mutual Aid Bill can be put in operation.

Another related proposal is an expansion in the number of R.C.

A.F. squadrons overseas. The Dominion will also pay for maintaining and equipping the R.C. A.F. overseas. This will have the effect of increasing Canada's expenditures in sterling in the United Kingdom and thereby providing indirectly additional Canadian dollars to Britain to assist it in purchasing supplies it requires from Canada.

Canada also will meet the full cost of pay and allowances for R.C.A.F. personnel serving overseas in R.A.F. squadrons.



REFERRING to the "dream" of beating the submarine menace by the use of air transport, Air Chief Marshal Sir Frederick Bowhill, of the Royal Air Force Ferry Command, in an address at Montreal on February 17 emphasized the fact that this war is one of communications which will be won by the ships of the allied merchant navies.

Stressing the great transportation problem in fighting a global war, Sir Frederick declared that it takes 17 tons of shipping to get one soldier overseas, apart from the task of keeping him supplied in the field.

This constitutes a great problem of supply which cannot be solved by air transport. Sir Frederick illustrated the latter point by quoting the following facts from a study by W. A. Patterson, President of United Air Lines:

A single cargo ship carrying 6,000 tons of supplies 14,000 miles takes two months and 425,000 gallons of fuel. To move the same cargo the same distance by air would take 1,440 flights, and with planes making 10 trips each in a month, it would mean 144 planes flying 20,000,000 miles and using 18,000,000 gallons of fuel, 15,000,000 of which would have to be taken first to intermediate stopping points by tanker.

FACTS AND FIGURES

A Record of Canadian Achievement in War



NAVY

Present strength.....	More than 53,000
Pre-war strength.....	Approximately 1,800

THE ROYAL CANADIAN NAVY has a three-fold task: guarding Canadian shores, protecting merchant shipping and co-operating with the sea forces of the United Nations.

At the end of February the Royal Canadian Navy was operating more than 500 ships of the following types: destroyers, corvettes, auxiliary cruisers, minesweepers, subchasers, patrol vessels, and small craft of various kinds.

At the outbreak of war the service was composed of 1,774 men. There were only 15 vessels in operation, consisting of six destroyers, five minesweepers, and other smaller vessels.

More than 1,400 officers and ratings of the R.C.N. are serving with the R.N. on the seven seas. They have been in every British naval engagement of the war.

Within six days of Canada's entry into the war the first con-

voy of merchant vessels left Canada for Britain. Since that time a steady flow of goods has been passing over this bridge of ships.

Operations of the Navy are secret. Occasionally, however, secrecy is relaxed to reveal a successful action against Axis submarines. Some of the vessels which have registered successes against submarines are:

Destroyer H.M.C.S. *Assiniboine*
 Corvettes H.M.C.S. *Chambly* and
 H.M.C.S. *Moose Jaw*
 Corvette H.M.C.S. *Oakville*
 Destroyer H.M.C.S. *Skeena* and
 Corvette H.M.C.S. *Wetaskiwin*
 Destroyer H.M.C.S. *St. Croix*
 Corvette H.M.C.S. *Ville de Quebec*
 Corvette H.M.C.S. *Port Arthur*

Losses of the service in ships and where lost follow:

DESTROYERS.

Fraser, Bay of Biscay.
Margaree, Mid-Atlantic.
Ottawa, Mid-Atlantic.

MINESWEEPER.

Bras D'Or, Gulf of St. Lawrence.

PATROL VESSELS.

Otter, Coast of Nova Scotia.
Raccoon, Western Atlantic.

CORVETTES.

Windflower, Western Atlantic.
Spikenard, South of Newfoundland.
Charlottetown, Gulf of St. Lawrence.
Levis, Western Atlantic.
Louisburg, Mediterranean.

Loss of the corvette *Louisburg* in the Mediterranean was announced February 16. Sunk by air attack, 38 lives were lost. This was the first Canadian warship to be lost in the Mediterranean, the fifth Canadian corvette lost in the war, and the first Canadian warship sunk by air attack. The names of every district in Canada were represented in the casualty list.

Casualties of the R.C.N. to February 28 were as follows:

Killed on active service.....	771
Other deaths.....	98
Wounded or injured	134
Prisoners of war.....	5

The following decorations were awarded to R.C.N. personnel to February 13, 1943:

Companion of the Order of the Bath.....	1
Distinguished Service Order.....	3
Order of the British Empire.....	11
Companion of the Order of the British Empire.....	1
Member of the Order of the British Empire.....	8
Distinguished Service Cross.....	33
Distinguished Service Cross and Bar.....	1
Distinguished Service Medal.....	21
British Empire Medal.....	8
Conspicuous Gallantry Medal.....	1
George Medal.....	1

George Medal and Bar.....	2
Medal of the Order of the British Empire.....	6
Cross of Valour (Polish).....	4
Albert Medal.....	1
Mentioned in despatches.....	150
Commendations.....	13
Testimonial.....	1
King's Dirk.....	1

The Canadian Navy is being rapidly augmented by the output of Canadian and British shipyards. A flotilla of eight Tribal class destroyers is being built for the R.C.N. Already two ships of this class, the *Athabaskan* and the *Iroquois*, have been commissioned and are in service, manned by Canadian seamen.

The Fishermen's Reserve, composed of West Coast fishermen, has been doing invaluable work since 1939 in patrolling the waters of the Pacific. These fishermen brought with them into service their sturdy fishing craft. Since that time they have been guarding 5,560 miles of

Canada's West Coast, made up of innumerable islands and bays.

In addition to the Women's Royal Canadian Naval Services, there are three personnel components of the Canadian Navy: the Royal Canadian Navy, the Royal Canadian Naval Reserve, and the Royal Canadian Naval Volunteer Reserve. The R.C.N. is the permanent core of the organization. The R.C.N.R. is composed of persons who have followed the sea as a profession. The R.C.N.V.R. is made up of civilians who are employed in occupations not connected with the sea, but who are given training to serve afloat.

At March 1, 1943, the Navy was made up of the following:

	Officers	Ratings	Total
R.C.N.....	603	3,399	4,002
R.C.N.R.....	924	5,000	5,924
R.C.N.V.R.....	4,437	40,713	45,150
TOTAL.....	5,964	49,112	55,076
Less Divisional Strength (reserve, on call for active service).....	563	2,900	3,463
TOTAL.....	5,401	46,212	51,613
W.R.C.N.S.....	59	1,452	1,551
TOTAL active service.....	5,460	47,664	53,164

Members of the R.C.N.V.R. enter the Navy for the duration through one of the 18 R.C.N.V.R. divisions at Calgary, Charlottetown, Edmonton, Hamilton, Kingston, London, Montreal (2), Ottawa, Port Arthur, Quebec, Regina, St. John, Saskatoon, Toronto, Vancouver, Windsor and Winnipeg.

After receiving training at R.C.N.V.R. divisions seamen are sent to coastal centres for more advanced training. Special technical training is given at other centres. There are two training establishments and numerous technical training centres.

While only 32 years old, the R.C.N. has inherited the centuries of experience, training and tradition of the Royal Navy.

Cadets

From the Royal Canadian Sea Cadet Corps come many of the men now serving in the Navy.

In the fall of 1941 there were 27 Sea Cadet Corps in Canada with a total membership of 2,841. Today there are 50 corps throughout the Dominion, with a membership of over 7,500.

Sea Cadets are between the ages of 15 and 18. They are given physical training, instruction in chart reading, small arms, sailing, navigation, naval terms, and elementary naval subjects.

Since the start of the war, more than 4,000 former Sea Cadets have joined either the Navy or the Merchant Marine.

The operations of the Women's Royal Canadian Naval Services are described under "Women," page 21.





ARMY

Active strength now.....	Approximately 430,000
Pre-war strength.....	“ 4,500

CANADIANS received several hints during February that the Canadian Army Overseas may soon go into action. Speaking to a labour group at Ottawa on February 22 the Prime Minister said that in an invasion of Europe Canadians would be, with British and U.S. troops, the first to cross the water. Later the same day in the House of Commons the Prime Minister emphasized that the Canadian people must prepare for great ordeals during 1943.

The Canadian Army has been in Britain for more than three years, ready to repel any attack, and preparing to launch an offensive when the time is ripe. War Secretary Sir James Grigg told the British House of Commons

on February 25:

“Our Canadian comrades have made many friends among us, but they have been irked at the fact that their chance of engaging themselves in bulk against the enemy has been so long in coming.

“We trust that they will not have to wait much longer, and when their chance does come, we know they will acquit themselves doughtily and that the Mother Country, as well as the cause of civilization generally, will have abundant reason to be grateful to them.”

Organization of the two army corps which comprise the Canadian Army in Britain was completed on January 16 with the appointment of Major-General

E. W. Sansom to command the armoured corps, with the rank of Lieutenant-General.

No special effort will be made in 1943 to expand the Canadian Army, although present divisions will be kept up to strength.

A group of Canadian officers and non-commissioned officers arrived in North Africa about the beginning of the new year. While comparatively small, the detachment included representatives of practically every type of unit—armoured regiments, infantry, artillery, supply and communications services and some medical officers. These were the first members of the Canadian Army to join the Allies in this battle area. They were despatched from the Canadian Army in Britain to gain battle experience with the British First Army in Tunisia. They will remain in the North African theatre of war for several months, learning all they can of battle conditions, and then return to England to pass on the information to their units.

Canadian soldiers are serving or have served in Newfoundland, Iceland, Alaska, the West Indies

and Bermuda. Troops called up for home defence duty, who have not volunteered for overseas service, have been sent to Newfoundland, Alaska and the United States. Troops sent to the United States have been used in escorting prisoners of war. Some of the home defence units sent to Newfoundland replaced platoons who had been serving there and had been sent overseas as reinforcements.

Canadian engineering units have built roads in Britain and have worked on the fortifications of Gibraltar. Canadian forestry units have set up lumber camps and mills in Scotland. This task is particularly important in war-time, as it conserves valuable shipping space which would otherwise be taken up by many thousand board feet of lumber.

All Canadian Army training is closely co-ordinated with that of Britain and the United States. Training in Canada is integrated with training in Britain and there is an extensive two-way exchange of officers between the Canadian Army in Britain and the Canadian Army in Canada.

Training of Canadian recruits is carried out at two types of

centres, basic and advanced. At one of the numerous basic training centres in the Dominion the recruit is taught the fundamentals of soldiering: discipline, rifle drill, the use of modern infantry weapons, map reading and field manoeuvre. When the soldier from a basic training centre moves to an advanced centre he learns the art of his particular arm: artillery, engineers, signals,

or other branch of the service.

Training of troops is being brought to completion so far as practicable in Canada so that when they are sent abroad they will be prepared for actual combat.

There are four centres training officers for the Canadian Army,

The Canadian Army has won the following decorations:

Victoria Cross.....	1
George Cross.....	1
Companion of the Bath.....	4
Commander of the Order of the British Empire.....	6
Distinguished Service Order.....	12
Officer British Empire.....	18
Member British Empire.....	41
Royal Red Cross (First Class).....	3
Military Cross.....	18
Royal Red Cross (Second Class).....	6
Distinguished Conduct Medal.....	13
Military Medal.....	50
George Medal.....	3
British Empire Medal.....	42
Mentioned in despatches.....	92
Brought to notice in Orders.....	1
Commendations.....	31
Belgian Military Cross (First Class).....	10
Belgian Military Cross (Second Class).....	2
Belgian Decoration.....	2
TOTAL.....	356

Reserve units of the Army are formed into 11 brigade groups across the Dominion, equivalent to four divisions. Each brigade group is under the command of a full time Active Army commander. More than 110,000 men are working in civilian occupations

by day and training for home defence at night. Large numbers of reservists join the Active Army each month.

Reserve units are given regular weekly training periods, as well as an annual training period in

camp. Equipped with some of the latest devices of modern warfare, rigorous training is undertaken by the Reserve Army. Latest phase of training is skiing and snowshoe manoeuvres.

The Veterans Guard of Canada is composed of men who served with the armed forces of the Empire during the First Great

War and are not over 55 years of age. These men are members of the Active Army, liable to service anywhere, at home or abroad. More than 10,000 veterans are now in this service.

Canadian Army casualties from the beginning of the war to February 23, 1943, were as follows:

Fatal casualties, enemy action.....	946
Deaths, all other causes, overseas.....	773
Deaths, all causes, in Canada.....	892
Missing.....	384
Prisoners of war, including interned.....	3,569
Wounded, non-fatal, enemy action.....	793

Cadets

The Royal Canadian Army Cadets, with an approximate strength of 96,000, has an objective of 140,000 for 1943.

At this season of the year, cadets are practising ski manoeuvres. Plans are being made for extensive training at summer camps.

Cadets are taught citizenship, civilian protection, health education, physical training, map reading, basic military training, radio, and elementary military subjects such as fieldcraft, campcraft, woodcraft and field engineering.

Senior Cadets must be 15 years of age at September 1 of the current school year. Juniors are admitted from 12 to 14.

The operations of the Canadian Women's Army Corps are described under "Women," page 21.





AIR FORCE

Strength at present.....	Approximately 200,000
Pre-war strength.....	“ 4,000

Functions of the Royal Canadian Air Force are:

(1) Operation of the British Commonwealth Air Training Plan, which turns out aircrew for the Royal Air Force, the Royal Australian Air Force, the Royal New Zealand Air Force, as well as the Royal Canadian Air Force. More than 83,000 members of the R.C.A.F. are engaged in the training plan.

(2) The air defence of Canada.

(3) Co-operation with Britain and the United States in convoy protection.

(4) Fighting overseas with the Royal Air Force.

During February, R.C.A.F. Wellington and Halifax four-

motored bombers of the Canadian Group joined with R.A.F. bombers in attacks on the submarine base of Lorient. Canadian squadrons raided Cologne and Milan and the U-boat base of Wilhelmshaven; R.C.A.F. Boston night fighters attacked targets at Caen and Creill; R.C.A.F. Spitfires continued their battle over the English Channel and their great sweeps over Belgium, France, Holland and Germany. In Tunisia, R.C.A.F. fliers are taking part in the fight against the Afrika Corps.

Formation of an Army Co-operation Wing, comprising three squadrons of Mustangs, was announced February 8. Assigned to reconnaissance and protection duty for the Army, two of the

squadrons in this wing took part in the battle of Dieppe. These R.C.A.F. squadrons have attained a reputation as "engine-busters", knocking out locomotives and other vital targets while flying low over French and German countrysides.

The Prime Minister announced on February 1 that the number of R.C.A.F. squadrons overseas would be increased to 38 and that all R.C.A.F. overseas squadrons would be maintained and equipped by Canada. Pay and allowance of R.C.A.F. personnel serving with the R.A.F. will be provided by Canada henceforth.

A majority of R.C.A.F. personnel overseas is serving with R.A.F. squadrons. R.A.F. units in every part of the world include Canadian personnel.

There are more thousands of R.C.A.F. aircrew graduates of the B.C.A.T.P. attached to R.A.F. squadrons than there are hundreds of Canadians in R.C.A.F. squadrons overseas. Nearly all R.C.A.F. groundcrew personnel serve with the R.C.A.F., with the principal exception of radio mechanics, nearly all of whom are with the R.A.F.

There are about 30 R.C.A.F. Squadrons serving in the United Kingdom and elsewhere with the Royal Air Force. These squadrons are strategically co-ordinated with the R.A.F.

In January of this year a Canadian bomber group came into operation. Bomber stations which came under the new group were under R.A.F. command prior to January 1, 1943. The group is staffed by senior R.C.A.F. officers.

On February 9, R.C.A.F. Headquarters announced the award of seven D.F.C.'s and five D.F.M.'s to members of the R.C.A.F. serving overseas. The R.C.A.F. has won the following decorations:

George Cross.....	1
George Medal.....	4
Distinguished Service Order..	3
Distinguished Flying Cross...	189
Bar to Distinguished Flying Cross.....	8
Distinguished Flying Medal..	118
Air Force Cross.....	38
Air Force Medal.....	24
British Empire Medal.....	35
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The B. C. A. T. P.

THE KING HAS DESCRIBED the British Commonwealth Air Training Plan as "perhaps the

most striking feature in the magnificent effort which Canada has made in so many directions towards winning the war."

President Roosevelt has described it as "one of the grand conceptions of the war, grand both in design and execution."

The British Commonwealth Air Training Plan is a joint enterprise of the Canadian, Australian, New Zealand and United Kingdom Governments, and trains airmen from nearly all parts of the British Commonwealth of Nations. The Plan itself is essentially Canadian and it is administered by the R.C. A.F. 60% of the graduates are Canadians.

Under the original agreement Canada paid more than \$600,000,000 of the total \$900,000,000. This original agreement was intended to continue until March, 1943, but a new agreement was signed in June, 1942. It became effective July 1, 1942, and operates to March 31, 1945. Under the new agreement, the Plan is considerably enlarged. It will cost \$1,500,000,000, 50% of which will be paid by Canada. The United Kingdom will pay the remaining 50%, less deduction representing payments made

by New Zealand and Australia for the cost of training aircrew.

From the schools of the B.C. A.T.P. comes an ever-growing proportion of the aircrew required to man the planes on the fighting fronts. Students come from all of the United Nations. The first member of the Royal Australian Air Force to win the V.C., Flt.-Sgt. Rawdon Hume Middleton, was trained in Canada.

Every single day in Canada men under training fly more than 2,000,000 miles. More than 10,000 airplanes are in use in the Plan.

If the paved runways of the Plan's flying stations were laid end to end, they would form a 12-foot wide highway from the Atlantic to the Pacific.

Scattered between stations all across the Dominion, the buildings of the Plan are equivalent of about 110 good-sized towns and villages, complete with all facilities for working, living, medical care and entertainment.

Cadets

From Canada's Air Cadets will come many of its future

airmen. More than 21,000 boys are enrolled in 259 Air Cadet Squadrons. Strength of the Cadets will expand to 35,000 within the next few months.

For Cadets who attain a satisfactory standard in training, summer camps are provided. Boys who join the Air Cadets

must be between the ages of 15 and 18, and must pass an examination similar to that set for aircrew duties in the R.C.A.F. Equipment is provided by the R.C.A.F. Training is given in navigation, map reading, aircraft recognition, signalling, target shooting, first aid work and foot drill.

The operations of the R.C.A.F. (Women's Division) are described in the following section.

WOMEN

Women over 15 years of age in Canada.....	Approximately	3,970,000
Employed in paying jobs.....	"	1,350,000
Engaged directly or indirectly in war industry.....	More than	225,000
In the Armed Services.....	" "	22,500
W.R.C.N.S.....	" "	900
C.W.A.C.....	" "	9,500
R.C.A.F. (W.D.).....	" "	10,000
Nursing Services.....	" "	2,075
Female doctors in the Armed Services.....		26

INCREASED EMPHASIS is now being placed upon recruiting women for the armed services so that more men may be released for more active tasks in fighting forces. National Selective Service is lending its support to recruiting of women and on February 22 commenced interviewing those interested in obtaining information about the women's

armed services at Employment and Selective Service offices throughout Canada.

The Women's Royal Canadian Naval Service, the Canadian Women's Army Corps, and the Royal Canadian Air Force (Women's Division) have set 50,000 as their combined enlistment objective for 1943.

The W.R.C.N.S. was organized in June, 1942, and by February 28, 1943, had attested 1,328 and called up 907. There were 59 officers, eight cadets taking officer's training courses, and 840 ratings or "Wrens". It is expected more than 1,500 will have been attested by the end of March and 1,200 will have been called up. Training for ratings is conducted at Galt, Ontario, and officers' training is given in Ottawa. The majority are now engaged in about 27 trades, replacing various categories of naval personnel in shore establishments. The W.R.C.N.S. hopes to enlist 5,000 by the end of 1943.

Since the R.C.A.F. (W.D.) was established in July, 1941, more than 10,000 women have enlisted. This shows a steady increase from 3,606 at April 30, 1942, and 8,500 at December 31, 1942. An enlistment quota of 20,000 has been set for 1943. Ceremonies were held February 22 in Vancouver to mark the formal attestation of the 10,000th recruit into the R.C.A.F. (W.D.)

Organized in September, 1941, the Canadian Women's Army Corps had enlisted 2,700 by May 1, 1942, and recruiting advanced

rapidly until there were more than 9,500 by the end of February, 1943. The C.W.A.C. hopes to enlist 25,000 by the end of 1943. Members are in more than 50 trades, serving in Britain and the United States as well as in Canada.

The possibility of the formation of a reserve Canadian Women's Army Corps and a girl Cadet Corps was announced during February by Major-General B. W. Browne of Ottawa, director-general of the Reserve Army in Canada. The proposal is awaiting government decision.

Nurses wearing Canadian war uniforms now number about 2,075. The Royal Canadian Army Medical Corps has enlisted more than 1,450, with 813 in Canada and 641 overseas. About 280 are now serving with the South Africa Military Nursing Service. Functioning under the R.C.A.F. Medical directorate, the Nursing Service of the R.C.A.F. has 221 nurses on duty, nine overseas and 13 in Newfoundland and Labrador. The Royal Canadian Navy has about 120 nurses serving temporarily under the R.C.N. medical directorate.

There are 26 women doctors serving with the armed forces, 15 in the R.C.A.M.C., 10 with the R.C.A.F., and one with the R.C.N. Several women enlisted as privates in the R.C.A.M.C. in the Fall of 1942 to complete their medical training and obtain their doctors' degrees. Like some 800 male medical students who enlisted at the same time, they could only be taken on strength of the R.C.A.M.C. 24 months previous to being eligible for appointment in the army, navy, and air force.

The first contingent of the Canadian Red Cross Corps to be sent outside Canada arrived in Britain during the first part of February. The group included representatives of the transport, nursing auxiliary, office administration and food administration sections of the Corps.

Since the last official estimate of 225,000 women engaged directly or indirectly in Canadian war industry was released in January, hundreds of women have taken their place on the production lines.

More than 27% of the 86,000 persons employed in Canada's

aircraft industry are women. Of the 25,000 workers employed in eight major small arms plants in Canada, 60% are women.

The proportion of women taking industrial training under the War Emergency Training Program of the federal Department of Labour has increased heavily each month since it was inaugurated in July, 1940.

Day care of children of war-working mothers has been progressing in Ontario and Quebec under the Dominion-Provincial equal-cost agreement.

Eight nurseries are now in operation, four in Toronto, and one in each of Brantford, St. Catharines, Oshawa, and Montreal. The Montreal nursery opened late in February, and three others have been approved for Montreal, to operate soon.

Hon. Humphrey Mitchell, Minister of Labour, reporting to the House of Commons, February 8, on the development of the agreement, outlined:

Ontario signed the agreement with the federal government July 29, 1942, and Quebec on August 3, 1942. The initiative for providing child care under the agreement lies with the

province. Four day nurseries were operating and three others have been approved.

Federal commitments for the approved day nurseries amounted to \$27,404.68, and provincial costs were this amount plus additional expenses not shareable under the agreement.

Mothers contribute 35 cents a day for the first child and 15 cents for each additional child. If both parents are working, the charge is 50 cents a day per child.

FIREFIGHTERS

TO FILL A NEED for firefighters in the United Kingdom, Canada has organized the Corps of Canadian Firefighters. This Corps has the distinction of being the first such unit ever mobilized in one country to fight bomb fires in another. Recruiting began on March 16, 1942, and the first draft was posted overseas June 13, 1942. There are now about 400 firefighters in Britain. Recruits are equipped and trained at Ottawa. The Firefighters unit represents 105 municipalities across Canada. Two-thirds of the strength is composed of trained firemen, including fire

chiefs, assistant fire chiefs and all degrees of lesser rank. Unskilled personnel is selected carefully from applicants who seem likely to become first class firefighters.

A. R. P.

AIR RAID PRECAUTIONS in Canada is patterned after the United Kingdom organization. With headquarters in Ottawa, A.R.P. in Canada has established bodies in all the provinces to study and administer the peculiar needs of the province.

Army, Navy and Air Force Chiefs of Staff have designated the coastal areas and certain areas in industrial regions of Ontario and Quebec as being of primary importance in matters of defence.

In these areas, the A.R.P. organizations have secured the services not only of experts but of the following:

1,602	physicians.
6,586	certified nurses.
4,648	stretcher-bearers.
22,278	first-aid members.
14,451	firemen.
18,914	experts on public services.

The Dominion Government supplies local organizations with fire fighting and first aid equipment and instruction booklets.

CANADIAN MERCHANT SEAMEN

(Record at February 28, 1943)



Certified in Central Registry, Ottawa.....	38,000
Supplied with cards for identification in foreign ports.....	21,000
Serving on vessels of Canadian registry listed as missing and presumed dead.....	642
Known to be prisoners of war.....	122
Claims paid by Department of Transport for loss of effects by Canadian Merchant Seamen due to enemy action.....	761
Death pensions being paid to dependents of Canadian Merchant Seamen by Board of Pension Commissioners (December 31, 1942)	
Widows (with 141 children).....	152
Parents 141 (with 13 orphaned children).....	154
	<hr/> 306
Disability pensions being paid to Canadian Merchant Seamen by the Board of Pension Commissioners.....	20
Persons benefiting by Merchant Seamen pensions (not including detention allowance for prisoners of war):	
Adults.....	313
Children.....	154
	<hr/> 467



AN experimental pool delivery program conducted at St. Catharines, Ontario, by the Management Service division of the Wartime Prices and Trade Board, with the assistance of the St. Catharines Chamber of Commerce, has demonstrated the saving of such an enterprise. Twenty-four merchants agreed to provide equipment and drivers as required, for a 34-day test. Here is the result of the experiment:

Savings in mileage..... 74% Savings in man-hours.... 33%
Savings in equipment..... 73%

MUNITIONS

Annual peak production rate to be reached in 1943.....	\$3,700,000,000
War production in 1942.....	2,600,000,000
“ “ “ 1941.....	1,200,000,000
Percentage increase.....	117%
Plants, machinery and defence projects outlay.....	1,000,000,000
Orders placed in Canada.....	6,571,096,107
Equipment and materials delivered.....	3,000,000,000
Metals, foodstuffs, timber, etc., exported to United Nations.....	1,500 000 000
Value of munitions and other war materials exported in First Great War....	1 002 672 413
Munitions workers.....	1,050,000

CANADA IS THE FOURTH largest producer of war supplies among the United Nations. These supplies are being used on every battlefield. They have been allocated as follows:

30% Canadian forces at home and abroad.

50% United Kingdom or British combat area and to Russia.

20% The United States, China, Australia and the Pacific theatres of war.

During the last three years Canada has built up a new production capacity to a value of more than \$1,000,000,000.

In peace time the Canadian aircraft industry produced less

than 40 planes each year and employed about 1,000 persons. It now turns out several hundred planes each month and employs more than 86,000 workers. The industry provides the British Commonwealth Air Training Plan with all the planes required for its operation, as well as most of the service planes needed for the defence of Canada, and an impressive array of first line combat planes for both Great Britain and the United States. More than 6,500 planes have been built since the start of war, including service planes, which are numbered in four figures. During the next 18 months the industry will turn out about \$1,000,000,000 of planes for Canada and the United Nations.*

Production is concentrated on the following nine types:

FAIRCHILD CORNELL — single - engined elementary trainer.

NORTH AMERICAN HARVARD—single-engined advanced trainer.

CANADIAN ANSON — twin - engined reconnaissance bomber and bombing and gunnery trainer.

BRISTOL BOLINGBROKE — twin-engined reconnaissance bomber and bombing and gunnery trainer.

CATALINA PBY-5 — twin-engined coastal reconnaissance amphibian.

LANCASTER — four-engined long-range bomber.

CURTISS "HELLDIVER" — single-engined navy dive-bomber.

MOSQUITO—twin-engined bomber.

NOORDUYN NORSEMAN — single-engined transport.

This program does not include the Hurricane fighter, the production of which will be discontinued within the next few months.

Canada's overhaul and repair program has itself developed into a major industry. With the expansion of the R.C.A.F. and the growth of the Air Training Plan, aircraft manufacture and overhaul are being carried out in some 30 plants of all types strategically located across the Dominion by men and women numbered in the thousands.

Canada is now manufacturing more than 1,000,000 shells every month, together with great quantities of aerial bombs, trench mortar bombs, and anti-tank

mines. Production of shells comprises 28 types of 15 different calibres. A great variety and quantity of shell components are also made. In production are 500-lb. aerial bombs, practice bombs, depth charges, anti-tank mines, grenades, pyrotechnics, etc.

Canadian factories turned out their 2,000,000,000th round of small arms ammunition during February.

Small arms ammunition now produced is of 22 types of nine calibres. This ammunition is made for every type of small arms being produced in the Dominion. Both go to more than 50 different destinations in every part of the world.

The energy and productive facilities engaged in the production of small arms ammunition may be gauged from the fact that one of these calibres alone—the .303—takes more than 50 separate operations to complete.

Before the war 500 persons were employed making small arms ammunition in one plant. There are now 30,000 workers in two government arsenals and plants being operated for the government by private industry.

More than 400,000 automotive vehicles have been produced in Canada since the outbreak of war, 215,000 of which were made in 1942. One of these units consumes approximately twice the material and labour used on an ordinary commercial vehicle, so that 1942 output is practically equivalent to 430,000 commercial trucks, against an average of less than 40,000 a year for the 10 years prior to the war.

More than 30,000 persons are employed manufacturing more than 100 types of military vehicles. One Canadian plant, the largest of its kind in the world, turns out enough universal carriers in one day to equip a battalion, and enough to equip an infantry division in 14 days.

Less than 10% of Canadian automotive vehicle production is allotted to Canadian forces at home and abroad. The remaining 90% is sent to other United Nations.

Automotive contracts let by the Department of Munitions and Supply in 1942 totalled \$750,000,000, more than twice the investment and production of the industry in 1938.

More than 50% of the auto-

motive vehicles used by the British 8th Army in Africa were manufactured in Canada. A much higher proportion of the load carriers used by this Army were made in Canada.

Canada produces two types of tanks; the Valentine and the Ram. More than 900 Canadian-made tanks have been shipped to Russia.

In addition, Canada has sent to the Soviet 2,000 universal carriers, more than 22,000,000 rounds of assorted ammunition, military clothing and supplies and strategic metals and materials.

More than 50,000 persons are employed in Canadian explosives and chemical plants. Creation of this industry has involved capital expenditures of \$140,000,000. Great new plants have been built, chemicals new to Canadian industry are being manufactured and an entirely new industry has been created to fill shells with explosives.

A single ammunition filling plant occupies 450 separate buildings, constructed on an area of more than 5,000 acres. This plant has a recreational centre, a post office, a hospital and a hotel.

The most powerful explosive of the war is being made in Canada.

Canada produced only one type of rifle during the last war and turned out no heavy ordnance. Now, field, naval, anti-aircraft, tank, and anti-tank guns of 12 types, as well as 16 types of carriages and mountings are being made.

Nearly 50,000 small arms are produced each month in Canada by eight major plants and scores of sub-contracting units. These organizations are working on contracts valued at \$200,000-000.

Monthly production of Bren guns is now more than double that of 1941. Output of Sten carbines reached its planned peak in August, 1942, and the original objective was quadrupled. Original schedules for the No. 4 Army rifle, adaptation of the Lee-Enfield, were doubled and redoubled.

More than 25,000 workers are employed in eight major plants making small arms in Canada. One plant alone, which is the largest small arms plant in the

British Empire, employs 16,000 workers.

Synthetic rubber factories are being set up in Canada, and the first of these will be capable of producing the needs of the armed forces by September, 1943.

Canada has obtained delivery of 97 cargo ships of the 10,350-ton class since December 21, 1941.

There now are in various stages of production in Canada 58 ships of the 10,350-ton type and 12 of the 4,700-ton class. One 4,700-ton ship was delivered February 15.

All the ships delivered are on commission except those lost at sea.

Listed delivery dates show that from eight to 10 ships have been delivered monthly since June last year.

One 10,000-ton cargo ship built under supervision of government-owned Wartime Merchant Shipping Ltd., has been converted into an oil tanker and four more ships of the same size now are in process of being converted.

Contracts have recently been awarded for three 3,700-ton oil tankers.

In addition to the oil-carrying vessels being provided under the government program, eight or more vessels have been built or converted as oil tankers by private companies since 1939.

Shipbuilding contracts (1st quarter 1940)....	\$50,000,000
“ “ “ “ (1st quarter 1943)....	\$1,000,000,000
Shipyards (1st quarter 1940).....	14 large
“ “ “ “	14 small
Shipyards (1st quarter 1943).....	21 large
“ “ “ “	58 small
Cargo vessel program (10,000 tons).....	300
“ “ “ “ (4,700 tons).....	18
Merchant ships delivered.....	100
Combat ships launched.....	300
Corvettes and minesweepers delivered.....	150
.....more than	
Small boat program.....	\$13,000,000

Following is a comparison of the production of war manufactures in 1942 and 1941 and from September, 1939, to December, 1940:

	Calendar Year 1942	1941	Sept., 1939 Dec., 1940
	(Estimate millions of dollars)		
Mechanical transport.....	\$404	\$206	\$119
Armoured fighting vehicles, including tanks...	160	22	..
Guns and small arms.....	186	22	1
Aircraft, including overhaul.....	235	102	42
Cargo and naval vessels, including repairs.....	274	105	23
Instruments and communication devices.....	81	13	3
Gun ammunition, including bombs.....	227	95	14
Small arms ammunition	41	16	2
Chemicals and explosives, including filling.....	121	50	2
Miscellaneous military stores, including personal equipment, clothing, etc.....	390	190	97



SALVAGE

THE NATIONAL SALVAGE CAMPAIGN, with head office in Ottawa and provincial superintendents in all parts of the country, has collected salvage totaling more than 292,452,013 lbs., from May 1, 1941, to January 31, 1943. More than one-quarter of this material consisted of scrap iron; nearly half of it was made up of waste paper. More than 20,483,785 lbs. of rubber was salvaged. The proceeds from the sale of the material went to war charity organizations and the auxiliary services of the armed forces.

With a view to centralizing the purchase and distribution of salvaged industrial material, Wartime Salvage Limited, a Crown Company, was formed recently.

Collection of salvage materials in the 21 months to January 31, 1943, according to provinces, follows:

Province	Materials Marketed (lbs.)	Lbs. per 1,000 Population
P.E.I.....	2,620,917	27,538
N.S.....	5,299,392	9,168
N.B.....	6,254,263	13,685
Que.....	45,112,434	13,539
Ont.....	151,769,700	40,066
Man.....	31,644,062	43,348
Sask.....	13,536,643	15,108

Alta.....	15,404,125	19,352
B.C.....	20,810,477	25,440
TOTAL...	292,452,013	25,122

FOOD

AGRICULTURE is the most important single industry of Canada.

The United Kingdom depends on Canada for much of its food. Before the Nazis swept over Europe, Britain obtained dairy, pork and bacon products from Denmark and the Low Countries. Other foods were imported from Australia, New Zealand and other countries. With most of the trade routes now running through battle areas, Canada is the closest source of food supply.

The principal food products supplied to Britain by Canada from the outbreak of war to the end of 1942 include:

- 1,500,000,000 lbs. of bacon and pork products.
- 350,000,000 lbs. of cheese.
- 100,000,000 1-lb. tins of evaporated milk.
- 65,000,000 doz. of eggs.
- 2,225,000 bbls. of apples.
- 125,000,000 lbs. of other fruits.

In 1942 Canada shipped 65% of cheese and 15% of egg production to Britain. In 1942

cheese production was more than 60% higher than in 1939.

Britain received 75% of inspected hog slaughtering in 1942. This constituted 25% of the Canadian meat supply for the year. One week's shipments of bacon and pork products are now equal to a year's exports 10 years ago. These products are the finest quality obtainable.

A live hog of 200 lbs. market weight will supply the bacon ration for nine people in Great Britain for one year.

The entire 1942 catch of salmon and herring was shipped to Britain.

Large quantities of Canadian fruits, vegetables, honey and cereals have been shipped overseas. Only the most essential foods are sent to Britain and these are in the most concentrated form.

The Canadian Government is conducting research into the dehydration of fruits and vegetables with considerable success. Food in this form saves valuable shipping space, and keeps longer.

Canadian domestic food consumption has increased substantially since the war began. More Canadians are employed, with a consequent increase in

purchasing power. Many imported foods have disappeared from the Canadian market. Large quantities of food are being purchased in Canada to be shipped to British and Canadian prisoners of war.

Canadian production goals for 1943 call for an increase of all field crops except wheat, flaxseed and rye.

The 1942 wheat crop of 592,700,000 bushels is the largest ever produced in Canada. The Dominion has sent large supplies of wheat and flour to Great Britain.

Canada has a reserve of about 750,000,000 bushels of wheat. The Canadian Government, however, is now encouraging the growing of feed-grains and oil-seed crops, rather than wheat.

To co-ordinate policies of food production and to supervise the preparation of information on Canada's food position, the Canadian Government has set up the Food Requirements Committee, which works closely with the Combined Food Board of the United Kingdom and the United States.

At a conference of representatives of the Governments of the United States and Canada held

in Washington in January of this year, food objectives of both countries for 1943 were discussed and plans for the co-ordination of production were made.

A labour shortage is one of the most serious problems facing farmers. Another factor which adds to the difficulty of meeting demands for increased production is that farm machinery will only be available in 1943 to about 25% of the 1940 tonnage. To help ease this situation, repair parts will be available to an extent of 150% of the quantity distributed in 1940.

FINANCE

ON MARCH 2 Canada's fifth war-time budget was brought down

in the House of Commons.

Expenditures for war purposes and ordinary government in the year which begins April 1 and ends March 31, 1944, will reach a total of \$5,500,000,000, it is estimated. This is by far the greatest outlay in Canadian history. Of this sum \$2,890,000,000 will be used for the Canadian war machine; \$1,000,000,000 will be given to the United Nations in the form of war supplies, equipment and foodstuffs, and \$610,000,000 will be spent for ordinary government.

Following is a tabulation showing the expenditure and revenue of the Dominion from the year ended March 31, 1940, which included seven months of war to the year which commences April 1:

	1939-40	1940-41	1941-42	1942-43	1943-44
	—Millions of Dollars— (estimated) (budget)				
War Expenditures:					
Army.....	68	383	511	1,078	1,787
Navy.....	11	88	129	208	489
Air Force.....	33	176	371	627	1,129
Dept. of Munitions and Supply.....		80	253	689	166
War Services Dept....		2	3	9	12
Miscellaneous Dept....	6	23	73	192	307
U.K. financial assist- ance (budgetary)....				1,000 *	1,000 **
TOTAL WAR.....	118	752	1,340	3,803	4,890
Other Govt. Expendi- tures.....	563	498	545	667	610

TOTAL EXPENDITURES.....	681	1,250	1,885	4,470	5,500
TOTAL REVENUES..	562	872	1,489	2,208	2,527
Over-all deficit.....	119	377	396	2,262	2,973
Total revenue to total expenditure.....	82%	70%	79%	49%	46%
U.K. financial assistance (non-budgetary) *.....	104	361	1,053

* Financial assistance in 1942-43 provided for in budget and included in war costs. In previous years assistance was provided outside the budget as it involved investment or debt redemption rather than expenditures.

** Proposed mutual aid bill to provide war supplies, equipment and food to the United Nations.

Four other budgets have been presented to Canadians in this war: in September, 1939; June, 1940; April, 1941; and in June, 1942.

While providing for a vast expansion in war expenditure, the fifth budget brought relatively minor changes in the taxation burden. Following are the principal features of this budget:

- (a) A six-month tax-free period is being permitted personnel after return from overseas.
- (b) Adjustments are being made on the taxes paid by junior officers in Canada to iron-out certain inequalities.
- (c) Tax rates are cut in half for officers serving in the Western Hemisphere outside Canada unless duties are normally performed in the air or afloat. Hitherto officer personnel serving outside Canada but in the Western Hemisphere have been totally exempt.

Certain concessions are made to promote oil and strategic minerals production, amongst which are special consideration on write-offs, de-

Income Tax

No major change is made in rate structure.

Tax collection is placed on a "pay-as-you-owe" basis. This change is described in fuller detail on page three of this booklet.

Certain changes were made in the case of income tax liabilities of the armed forces:

depreciation and exploration costs.

Adjustments are made on the income tax liability on incomes between \$660 and \$820 for single persons and between \$1,200 and \$1,570 for married persons.

Farmers are to be allowed to carry forward losses two years instead of one.

Special War Revenue

Tax on cigarettes is increased from \$8 a thousand to \$10.

Tax on manufactured tobacco is increased from 51 cents a pound to 67 cents.

Tax on raw leaf tobacco is increased from 20 to 28 cents a pound.

Tax on cigarette papers is increased from six to eight cents for a hundred, and on tubes from 12 to 14 cents a hundred.

On lower priced cigars tax is raised from \$4.25 a thousand to \$9.25 a thousand, and is increased in the higher brackets proportionately.

The tax on night clubs is increased from 20% to 25%.

The cost of postage is raised by one cent for each letter after April 1.

Excise

Excise duty on spirits is increased from \$9 to \$11 for each proof gallon, with corresponding increases under the customs tariff. Rate on Canadian brandy is raised from \$7 to \$9 a gallon.

Previous budgets have greatly increased direct and indirect taxes and widened the scope of income tax application. The number of persons paying income tax has increased from 300,000 before the war to more than 2,000,000 at present. Indirect taxes have been raised substantially, and various taxes have been imposed, including the tax on night club entertainments, which is now being raised from 20% to 25%. Minimum rate of tax on corporations is 40% of profits. Rate on excess profits is 100%, of which 20% is refundable after the war.

Net debt of the Dominion Government from March 31, 1939, to March 31, 1944, is as follows:

1944 (est.).....	\$9,215,000,000
1943 (est.).....	6,307,000,000
1942.....	4,045,000,000
1941.....	3,649,000,000
1940.....	3,271,000,000
1939.....	3,152,000,000

While taxation has been sharply increased it has been necessary to borrow money from the Canadian taxpayer in the form of war bonds, war savings certificates,

and in some cases through interest-free loans.

There have been five public war loans as follows:

Date of Issue	Total New Money Conversion			Number of Subscribers
	—Millions of Dollars—			
January, 1940 . . .	\$250	\$200	50	178,000
September, 1940.	325	300	25	151,000
June, 1941.....	837	730	107	968,000
February, 1942...	998	846	152	1,681,000
October, 1942....	991	991	...	2,040,000

CONTROLS

MOBILIZATION of Canada's resources for war and the fight against inflationary developments have necessitated great increases in taxation and borrowing, as well as the use of non-financial controls such as price control, stabilization of wages and salaries, priorities, rationing, and foreign exchange control.

The Wartime Prices and Trade Board was constituted under the War Measures Act, September 3, 1939, "to provide safeguards under war conditions against any undue advancement in the price of food, fuel and other necessities of life, and to ensure an adequate supply and equitable distribution of such commodities."

The responsibility of the War-

time Prices and Trade Board for policing individual prices was broadened in December, 1941, when the Government made the Board responsible for the maintenance of the over-all price ceiling, which was established to prevent inflation.

In the First Great War unchecked price increases imposed severe hardships on Canadians. By the end of the war prices had risen 57.6% above the pre-war level. In World War II, at the time of the application of the over-wall price ceiling, in December, 1941, the cost-of-living index showed a percentage advance of 14.9 above the pre-war level. After 12 months of price ceiling the November, 1942, index showed a cost-of-living advance of only 2.2%.

The ceiling was the level of retail prices prevailing in the period between September 15 and October 11, 1941. Certain products, such as perishable commodities were exempted from the price regulations, if not sold directly to consumers.

In order to control volume of purchasing power, as well as prices, both of which would have led to inflation, wages and salaries in Canada were stabilized late in 1941. To adjust wages to wartime price levels, however, every employer, except in a few exempted classes, must pay bonuses to employees below the rank of foreman for each point the official cost-of-living index rises above the 115.5 level of October, 1941. The bonus is revised quarterly. It was increased July 15, 1942, when the index rose to 117.9. The reduction of prices by the payment of subsidies on butter, milk, tea, coffee and oranges brought the cost-of-living index down from 118.8 in December, 1942, to 117.1 in January, 1943, which is less than one point higher than the July 15, 1942, index of 117.9. Therefore there was no increase on February 15, 1943, of the cost-of-living bonus. The bonus pay-

ment is as follows: 25c for each point rise in the cost of living for workers receiving \$25 or more a week; one per cent of the basic weekly wage rates for men under 21 and women workers earning less than \$25 a week.

The Wartime Prices and Trade Board and the Wartime Industries Control Board work in close co-ordination. The chairman of each board is a permanent member of the other and all Controllers are Administrators under the Wartime Prices and Trade Board. The Wartime Industries Control Board controls certain basic materials particularly essential to war activities. It is the responsibility of the Wartime Prices and Trade Board to allocate what is left, as well as to exercise supreme authority in the field of price control and civilian supply.

By diverting constituent materials to war uses, controllers of the Wartime Industries Control Board have drastically curtailed the manufacture of numerous articles for civilian consumption. The uses to which steel, base metals and chemicals may be put are subject to strict surveillance. Almost the entire supply of silk and natural rubber is be-

ing used for military purposes and the synthetic products now being developed will be used to the same end.

Commitments to Great Britain, the needs of the armed forces, transportation difficulties, and shipping losses have necessitated consumer rationing which ensures an equitable distribution of the necessities of living. Each Canadian is entitled to the following rations:

TEA.....one ounce weekly, or
COFFEE.....four ounces weekly.
SUGAR.....half a pound weekly
(plus special seasonal allowance to housewives for canning).
BUTTER.....two pounds a person
(temporarily) for six weeks. Normally, $\frac{1}{2}$ lb. a person weekly.
GASOLINE...a new gasoline rationing plan, to include every type of automotive vehicle, becomes effective April 1.

Vehicles are classified as non-commercial or commercial. Non-commercial vehicles are granted 40 coupons (120 gallons a year at the present coupon value), plus, in certain cases, a "special" allowance granted on the basis of proven vocational needs. Retail delivery trucks are limited to not more than 248 to 748 units a year, depending on the weight of

the empty vehicle. Ambulances, buses, and taxis will be granted only enough to drive the mileage authorized from time to time by the transit controller.

To stabilize the cost-of-living, prices of certain food commodities were lowered in December, 1942, by the reduction of duties and taxes and payment of subsidies. The retail price of tea was reduced by 10 cents a pound; coffee was reduced by 4 cents a pound; retail price of milk by 2 cents a quart and the retail price of oranges was lowered.

The Industrial Division of the Wartime Prices and Trade Board was established to aid industry, first in distributing the price-ceiling squeeze between retailer, wholesaler and manufacturer, and later to eliminate "frills" and help conserve manpower, material and machinery. This division works with National Selective Service and the Department of Munitions and Supply.

The Commodity Prices Stabilization Corporation helps maintain the price ceiling by the payment of subsidies, modification or remission of duties and Government bulk purchasing. Where shipping conditions and disloca-

tion of sources of supply occur, this Corporation makes bulk purchases abroad. Bulk purchases to date include wool, cotton, textile fabrics, currants, coffee, spices, bristles. Subsidies on domestic products include milk and butterfat, leather footwear, canned fruits and vegetables.

MANPOWER

APPROXIMATELY 33% of all male Canadians between the ages of 19 and 45 have enlisted in the armed services.

Responsibility for mobilizing and allocating all manpower in Canada rests with National Selective Service, under the Department of Labour. All departments concerned, such as the Department of Munitions and Supply, Agriculture and the armed forces, are co-operating.

Any person between 16 and 65 years of age must register for work if not gainfully occupied for seven consecutive days (full time students, housewives and clergy are not included).

On order of the Minister of Labour and after hearing the parties concerned, a person in an age class designated for the

purpose of the military call-up may be compulsorily required to accept alternative employment.

No Canadian employer or employee can make any employment arrangement without first obtaining authority of the local office of National Selective Service. All employment advertising is controlled.

To prevent labour hoarding, employers must notify the employment service of any surplus workers in their employ.

With certain exceptions, an employee has to submit his resignation seven days prior to leaving his job. An employer similarly must conform to this regulation. A copy of the written notice must be forwarded to the local employment office. The employee is then given a separation slip and no employer can interview a prospective employee unless the applicant has a permit to look for employment from an employment office. No permits will be granted by this office unless the applicant has a separation slip, or can prove that he has been unemployed.

Labour priorities, in which industries as a whole and selected

firms, are classified as having very high, high, low or no labour priority, give National Selective Service offices a yardstick by which to gauge the importance of labour requirements.

Special measures have been taken to meet labour shortages in various industries engaged in war activities. Farmers were induced by various means to work in the bush during the winter months to meet shortages of lumber. Coal miners in the armed forces have been released in some cases to work in mines. Gold miners were transferred from gold to base metals mines. Manpower released through curtailment in the pulp and paper industry has been moved into aluminum production. Many similar movements of manpower have been made.

The Dominion Government, under the Wartime Emergency Training Program, has trained the following workers and service personnel from inauguration of the program to December 31, 1942:

NATURE OF TRAINING

Industrial pre-employment	
Men.....	65,894
Women.....	19,446

Part time industrial	
Men.....	15,041
Women.....	2,628
Servicemen's rehabilitation....	875
Plant schools	
Men.....	3,882
Women.....	3,154
Armed forces.....	62,855
TOTAL.....	173,775

In addition, the Department of Labour is promoting and, in some cases, helping to finance training in industry by plant schools. It is believed the number of workers given special training by industry itself approximately equals the number trained in the vocational classes of the Training Program.

The Wartime Bureau of Technical Personnel was established on February 12, 1941, in co-operation with major technical and engineering groups, to organize technical profession for war production. Scientific and technical personnel must be employed through or with the approval of the Bureau.

National Selective Service is also responsible for the call-up of men for compulsory military training. Under the National Resources Mobilization Act, men, single or childless widowers at July 15, 1940, between the ages of 19 and 45 and medically fit,

are liable to military service. So far only men between the ages of 19 and 40 are being called. On December 15, 1942, it was announced married men between the ages of 19 and 25 would be called up.

Men engaged in farm work and certain essential industries are not usually liable for military service.

Persons normally employed in agriculture may now accept employment without permit in another industry only to a total of 60 days in a year (formerly 30 days at a time) and then only outside towns and cities with more than 5,000 population.

CANADA - U.S. CO-OPERATION

THROUGH THE OGDENSBURG and Hyde Park Agreements, and subsequent arrangements, Canada and the United States have agreed to provide mutual aid in defence and economic matters. Four Committees have been formed for their most effective co-operation in war and in peace:

Permanent Joint Board on Defence
Materials Co-ordinating Committee
Joint Economic Committees
Joint War Production Committee

Canada is also a member of the Combined Resources and Production Board with Great Britain and the United States.

August 17, 1940, at Ogdensburg, New York, Canada and the United States signed the agreement on which co-operation in defence is based.

Recommendations of the Defence Board have resulted in the construction of the chain of air bases between Edmonton and Alaska and the Alaska Highway. The air bases, built by Canada, were opened to traffic in September, 1941. The opening of the airway proved of great assistance in the construction of the Alaska Highway, which was built by the United States with the co-operation of the Canadian Government. This 1,600-mile highway was opened November 20, 1942. Traffic now moving on the road is carrying supplies for further construction and improvement. During the coming summer, with a working force of 7,000 to 8,000 men, it is expected to finish making the road an all-weather job, with a gravel surface and bridges to withstand the spring floods.

Establishment of the Materials Co-ordinating Committee

was announced May 1, 1941. Through sub-committees on forest products, copper, zinc and ferro-alloys, the movement of primary materials between the two countries is promoted, available supplies are increased, and information exchanged on raw material stocks, production and consumption in the United States and Canada.

The Joint Economic Committees were formed in June, 1941, to act in an advisory capacity to the governments at Ottawa and Washington on foreign exchange control, economic controls, price policies, tariffs and duties and post-war planning.

At Hyde Park, April 20, 1941, the Prime Minister of Canada and the President of the United States agreed "as a general principle that in mobilizing the resources of this continent, each country should provide the other with the defence articles which it is best able to produce, and above all, produce quickly, and that production programs should be co-ordinated to this end." According to what is known as the Hyde Park Declaration, the United States agreed to buy enough Canadian products to

enable Canada to pay for essential imports from the United States.

This measure has proved effective and Canada is now paying to a large extent for imports by the sale of war supplies to the United States. Canada does not use lend-lease accommodation utilized by other United Nations.

There has been no relaxation in foreign exchange control, which prohibits Canadians travelling in the United States. The need for United States currency for purchase from the United States of vital war goods remains great.

Formation of the Joint War Production Committee was announced November 5, 1941. The duty of this committee is to reduce duplication, arrange uniform specifications and quick exchanges of supplies, break transportation bottlenecks and exchange information. Ten technical sub-committees carry out the work of the committee.

Canada is manufacturing \$1,000,000,000 of war material and equipment for the United States.

Shipment of Canadian lumber to the United States in 1942 ap-

proximated 1,300,000,000 board feet, or more than double the corresponding exports to that country in any year from 1932 to 1940 inclusive.

The first corvette built by Canada for the United States navy, the U.S.S. *Danville*, was launched in Montreal on November 9, 1942.

To co-ordinate policies of food production, and to supervise the preparation of information on Canada's food position, the Government has set up the Food Requirements Committee, which will work closely with the Combined Food Board of the United Kingdom and the United States.

In actual military operations Canadian and United States forces have served jointly in Newfoundland, Iceland and Alaska.

R.C.A.F. units are fighting alongside United States air units in Alaska, Newfoundland and Labrador.

Canadian navigators, air gunners and wireless operators are serving temporarily in the United States Army Air Corps.

Canadian soldiers are teamed with United States troops in a

Special Service Force. This combined group will provide the nucleus of a force for unified operation in any defensive or offensive operation.

The Special Service Force troops are given instruction in the use of parachutes, marine landings and mountain and desert warfare.

Canadian paratroops are trained at the large United States school at Fort Benning, Georgia. American troops are using Camp Shila, Manitoba, as a winter experimental proving ground.



POST-WAR PLANNING

A NATIONAL SOCIAL INSURANCE plan for Canada was forecast January 28 in the Speech from the Throne. On February 17 Prime Minister King placed on the House of Commons order paper a notice of motion to set up a 41-man select committee of the House to examine and report on such a plan.

The motion set forth five fields of study for the committee:

1. Existing social legislation of the federal and provincial governments.

2. Social insurance policies in other countries.
3. "The most practicable measures of social insurance for Canada, including health insurance," and the steps necessary to effect their inclusion in a national social insurance plan.
4. The constitutional and financial adjustments required to achieve a nation-wide plan.
5. Other related matters.

In addition, the Advisory Committee on Economic Policy, which has been operating almost since the war began, has been reconstituted, and its functions have been enlarged. These functions now include the planning and organization of investigation and study of post-war problems leading to the formulation of measures to meet such problems.

The constitution of the Advisory Committee on Reconstruction has also been revised. This committee on its own initiative makes such recommendations and draws attention to such considerations in the field of post-war problems as it may deem advisable and now will under-

take such investigations and studies of post-war problems as may be determined in co-operation with the Advisory Committee on Economic Policy or as the Prime Minister may direct.

Both committees now are responsible to the Prime Minister, and they will report to him or otherwise as he may direct. The Committee on Economic Policy comprises 14 senior government officials. The Committee on Reconstruction comprises six men outside the government service. In addition, the chairman and vice-chairman of the Interdepartmental Advisory Committee on Demobilization and Rehabilitation, the chairman of the Canada-United States Joint Economic Committees, Canadian Committee, and a representative of the Committee on Economic Policy may attend meetings *ex-officio*.

Post-war planning is one of the matters in connection with which the Joint Economic Committees act in an advisory capacity to the governments at Ottawa and Washington.

Canada is ready to join in any meeting of representatives of the

United Nations to take up the question of post-war food supplies, the Canadian Agriculture Minister stated on February 23.

Consideration of post-war needs already has been given by the major wheat-exporting nations—Canada, the United States, Argentina and Australia—which signed an agreement last year. In this agreement possible post-war export requirements were studied, and a tentative basis of division of markets was reviewed.

Canada and the United States also have considered the probable requirements of European countries in restoring their livestock herds.

Canada's Interdepartmental Committee on Demobilization and Rehabilitation is concerned with the re-training of special war casualties in the fighting forces; land settlement of ex-servicemen; resumption of education interrupted by enlistment in the armed services; preferences

in re-establishment in civil employment; and the problems of the wives of servicemen.

At the last session of the House of Commons there was a select committee on reconstruction and re-establishment, and, as indicated in the Speech from the Throne, it was to be reconstituted at this session. On February 15, Pensions and Health Minister Mackenzie gave notice of motion for its appointment. Its duties will be to study and report on the general problems of post-war reconstruction and re-establishment and all questions pertaining to such problems.

During debate on the motion in the House, Air Minister Power warned that restoration of fighting air crews to contented civilian life will constitute one of the greatest problems of post-war re-establishment.



FEBRUARY HIGHLIGHTS

- Feb. 1. Prime Minister King announces R.C.A.F. squadrons overseas to be raised from 25 to 38 this year; Canada to maintain and equip all R.C.A.F. squadrons overseas, and provide pay and allowance of R.C.A.F. personnel serving in R.A.F.
- Feb. 2. A second detachment of officers and non-commissioned officers from the Canadian Army in Britain arrived in North Africa recently to go to the front lines for battle experience with the British First Army.
- Feb. 3. Dominion Bureau of Statistics announces cost-of-living index down 1.7 points at January 2, from 118.8 in December, 1942, to 117.1 at January 2, which means cost-of-living bonuses will remain unchanged for the three months commencing February 15, 1943.
- Feb. 4. Government inter-departmental Economic Advisory Committee re-constituted to study present and post-war problems and collaborate with the Committee on Post-war Reconstruction headed by Dr. Cyril James of McGill University.
- Feb. 5. The Wartime Prices and Trade Board announces it will temporarily subsidize part of the transportation cost involved in shipping beef from Western to Eastern Canada.
- Feb. 5. National Selective Service announces an eight-point policy laid down for the 13 mobilization boards in Canada concerning postponement applications from essential agricultural workers.
- Feb. 9. Eighteen persons killed when a Ferry Command plane crashes in Newfoundland after completing a North Atlantic crossing.
- Feb. 11. Ontario Liquor Control Board chairman announces rationing of beer purchased for home consumption to go into effect April 1. Purchase will be controlled by a new permit covering liquor, wine and beer.
- Feb. 12. Prime Minister King announces the National War Labour Board will be recast as an industrial court with membership of three instead of 12, and former board members will act in an advisory capacity.
- Feb. 12. Removal of the need for passports for Canadians and British subjects living in Canada when they visit the United States for periods not exceeding 29 days announced by the External Affairs department.
- Feb. 12. Completion of the Alaska highway has increased the permanent population of Yukon territory from 5,000 to 12,000, announces Hon. George Black, M.P.
- Feb. 14. Wartime Prices and Trade Board authorizes restaurants to discontinue serving any beverage normally included with a table d'hôte meal or alternatively to charge five cents for such a beverage.
- Feb. 15. Pensions Minister Mackenzie states out-of-work benefits have been paid to 2,147 persons discharged from the armed forces; 1,311 benefits to persons discharged and temporarily incapacitated; 1,154 maintenance benefits to discharged persons receiving vocational training.
- Feb. 15. Munitions and Supply Department announces details of new system of gasoline rationing on an essentiality and weight basis for commercial vehicles, effective April 1.
- Feb. 15. National Selective Service Director announces staff training courses have been instituted to instruct women of Employment and Selective Service offices in connection with new duties being undertaken by officials in interviewing women who are prospective volunteers for the armed services.
- Feb. 15. During the year ending March 31, 1942, Canada will have supplied Britain with approximately 143,000,000 pounds of cheese, although she

FEBRUARY HIGHLIGHTS—*Continued*

had agreed to send only 125,000,000, announces Hon. J. G. Gardiner, Minister of Agriculture. More than 200,000,000 pounds were produced in Canada during 1942. Mr. Gardiner states Canadians probably will have to reduce their cheese consumption to supply Britain with 150,000,000 pounds in the fiscal year 1943.

- Feb. 17. Prime Minister King places a notice of motion to set up a 41-man select committee of the House of Commons to examine and report on a national social insurance plan.
- Feb. 17. Navy Minister Macdonald announces the Royal Canadian Navy now is carrying 40 per cent of the burden of convoy.
- Feb. 18. R.C.A.F. headquarters announces authorization of new badges for flying personnel other than pilots.
- Feb. 18. Order-in-council authorizes sending additional call-up troops to Newfoundland and Labrador to reinforce units there.
- Feb. 19. Premier Godbout of Quebec announces he has asked Prime Minister King to open negotiations with Britain and Newfoundland for the return of Labrador to the Province of Quebec.
- Feb. 21. Up to February 17, the registration of single men who had not been medically examined under compulsory military service regulations ran to approximately 80,000, states Labour Department.
- Feb. 22. Labour Minister Mitchell announces details of a recent order-in-council making men born in 1924 liable under the military call-up on reaching their 19th birthday.
- Feb. 22. Labour Minister Mitchell announces compulsory registration of graduate nurses, whether they are practising or not, to take place March 17, 18, and 19. The registration was arranged at the request of the Canadian Nurses' Association.
- Feb. 22. During 1942, 790,428 Canadians notified the national registration branch of the Labour Department of changed addresses.
- Feb. 22. Wartime Housing Limited has let contracts for 15,623 houses, 9,370 of which were completed by January 31, 1943, states Munitions and Supply Minister Howe.
- Feb. 23. Agriculture Minister Gardiner states Canada would be ready to join in any meeting of representatives of the United Nations to take up the question of post-war food supplies.
- Feb. 25. Debate on the address in reply to the speech from the Throne ended after a Progressive-Conservative want-of-confidence amendment was defeated by a vote of 150 to 45.
- Feb. 26. Labour Minister Mitchell outlines a national farm labour program for 1943.
- Feb. 26. About 4,500,000 bushels of wheat will have been utilized for the making of industrial alcohol by the end of the crop year, July 31, 1943, states Dominion Bureau of Statistics.
- Feb. 27. Wartime Prices and Trade Board announces concurrently with the United States the ceiling on newsprint will be raised effective March 1, by \$4 a ton, bringing the "port" ceiling price to \$54.
- Feb. 28. Dominion Bureau of Statistics reports that after the next Federal election Parliament will have only 238 members instead of 245 as a result of redistribution of seats which will cut Manitoba's representation by three members and Saskatchewan's four. Representation in the next House of Commons will be determined on the basis of 1941 census.

A. P. Henry.

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